Commonwealth of Kentucky

Group Composition Committee - Group Analysis June 22, 2005



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2005 Age/Gender Demographics



Population Demographics – Key Statistics

Actives, Early Retirees & COBRA	Commonwealth	PwC Norm	
Average Employee Age	46	40	
Average Member Age	37	29	
Employee % male	35%	50%	
Member to employee ratio	1.6	2.1	
Pct of covered members that are:			
Adult male	31%	35%	
Adult female	51%	35%	
Child	18%	30%	

- Commonwealth's employee group is significantly older and more female than national commercial averages.
- There is a lower proportion of adult males, a higher proportion of adult females, and a lower proportion of children in the Commonwealth population.
- Note that 21% of the Commonwealth group is early retirees. The norm assumes coverage of active employees only.



Population Demographics – Coverage Category

Employees by Tier, Gender and Age - Active, Early Retirees & COBRA										
	Female					Male				
		Parent					Parent			
Age Group	Single	Plus	Couple	Family	Waivers	Single	Plus	Couple	Family	Waivers
0 to 29	6,937	1,073	126	243	1,995	3,624	244	116	285	338
30 to 39	9,207	4,661	175	1,593	7,511	4,754	1,265	196	2,220	1,298
40 to 49	13,394	4,990	619	2,890	10,068	5,583	1,618	376	3,461	1,830
50 to 59	24,143	2,388	2,892	1,899	7,589	10,930	1,210	2,502	3,153	2,536
60 or more	13,909	201	1,228	71	2,008	6,300	149	2,122	433	1,560
Total	67,589	13,312	5,039	6,697	29,171	31,191	4,486	5,312	9,554	7,562

- 31% of enrolled employees have covered dependents. This is low compared to a national norm of 60%. This results in a lower member to employee ratio of 1.6 versus 2.1 nationally.
- 56% of employees enrolled in single coverage are 50 or older.
- 20% of eligible employees have waived coverage. This is consistent with the national norm of 18%.



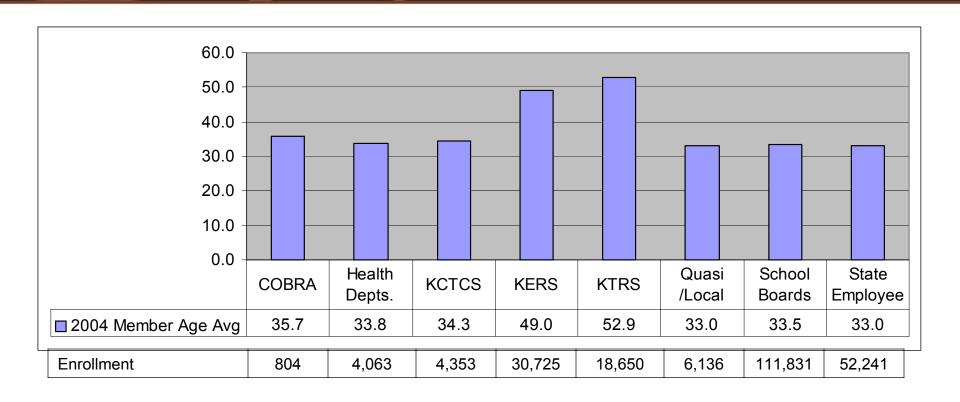
Population Demographics – Employment Status

Employee Status	Employees	Dependents
Active	106,189	72,210
Early Retiree	36,424	12,698
COBRA	569	231
Total	143,182	85,138

• Commonwealth's employee group is comprised of 78% active participants, 21% early retirees, and 1% COBRA participants.



2004 Average Member Age – By Group



Above does not include claims coded "missing/other" for group type.



Population Demographics – Plan Choice

	Commonwealth Enhanced			Commonwealth Essential			Commonwealth Premiere			Total		
Carrier	Ees	Deps	Member Avg Age	Ees	Deps	Member Avg Age	Ees	Deps	Member Avg Age	Ees	Deps	Member Avg Age
Anthem	12,648	7,489	36	229	411	30	8,502	4,353	41	21,378	12,254	38
Bluegrass Family Health	23,506	17,166	33	711	1,179	31	28,166	14,493	40	52,383	32,839	36
CHA Health	10,223	6,056	35	296	505	31	16,973	8,835	39	27,492	15,396	37
United Healthcare	20,363	12,413	36	495	910	30	21,070	11,328	41	41,928	24,650	38
Total	66,741	43,124	35	1,731	3,005	31	74,710	39,009	40	143,182	85,138	37

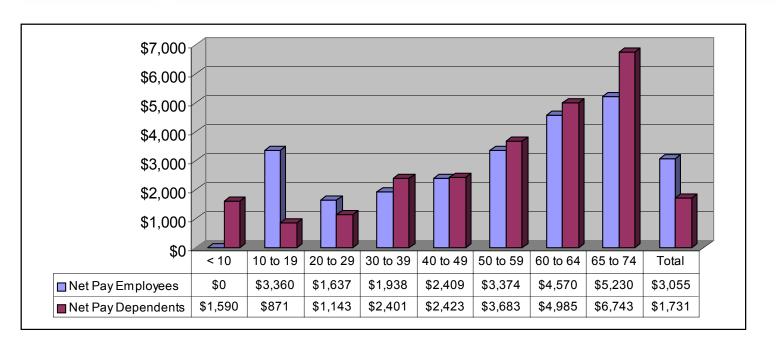
- Enrollment by plan follows expected patterns.
- The average age of those enrolled in the Commonwealth Premier plan is older than the other plans. The need for disease and condition identification and management programs may benefit this population the most. Should consider stronger incentives such as a mandatory use of disease management and heath risk appraisals.
- Average age rises and the dependent-to-employee ratio drops as the plan becomes more expensive and with richer benefits.
- The average age and dependent-to-employee ratios are similar for all four vendors.



Medical Trend Cost By Group



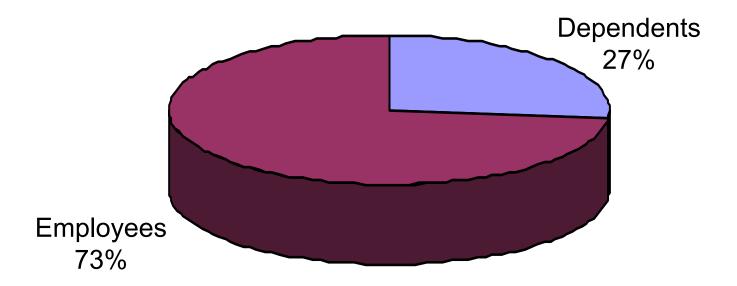
Population Demographics – Employee Cost by Age



- 2004 Average cost per member per year by age band displays a typical pattern of steady increases as age increases.
- Costs per member typically drop about 40% from age 60-64 to age 65-74
 due to Medicare becoming the primary payor. For the Commonwealth,
 Medicare does not appear to be the primary coverage for many members,
 leading to the high average costs shown over age 65.

Population Demographics – Aggregate Cost

2004 Net Payments:



 Dependents make up 37% of all members and represent 27% of net plan payments.

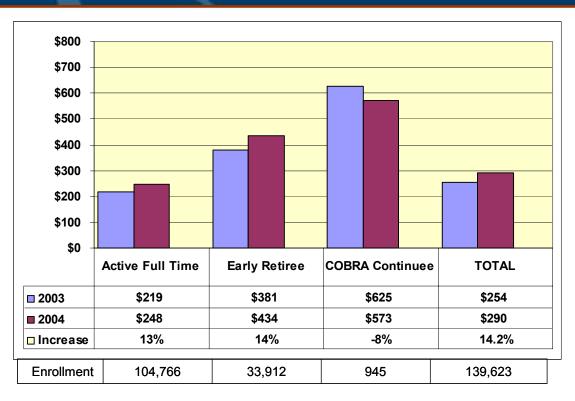


Retirees

Net Payments	Medical	% of Total Net Pay	RX	% of Total Net Pay
Total Net Pay	\$582,419,452		\$168,492,908	
Total Retiree Net Pay	\$175,124,601	30%	\$59,465,375	35%
KERS Net Pay	\$105,105,233	18%	\$34,838,563	21%
KTRS Net Pay	\$70,019,368	12%	\$24,626,812	15%
Early Retirees - Employees	\$145,559,943	25%	\$48,945,302	29%
Early Retirees - Dependents	\$29,564,658	5%	\$10,520,073	6%

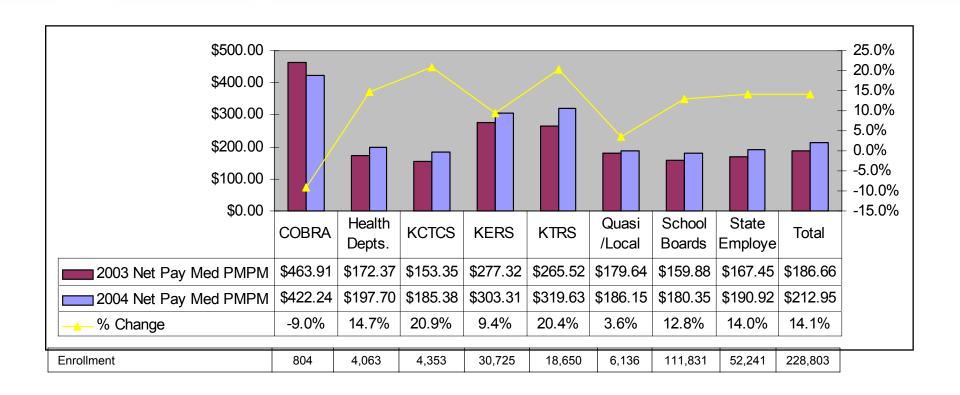
- Early retirees account for 21% of all members. They drive 30% of Net Medical claim cost, 35% of Prescription drug cost, and 31% of total cost.
- 25% of early retirees' total net plan payments are for prescription drugs. For the non-retiree population, the corresponding percentage is 21%.

Total (Medical and Pharmacy) Net Plan Paid PMPM



- In 2004, early retiree claims are approximately 1.8 times that of actives.
- In 2004, COBRA claims are approximately 2.3 times that of actives.
- There was overall movement from the active group to the early retiree group from 2003 to 2004. Thus the mix of lives 2003 to 2004 changed.
- Commonwealth experience trend of 14.2% compares to national norm of 14.4%.

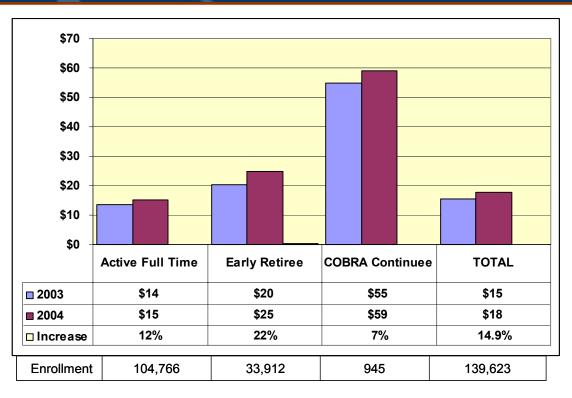
Medical Net Claim PMPM Cost Trends – By Group



Above does not include claims coded "missing/other" for group type.



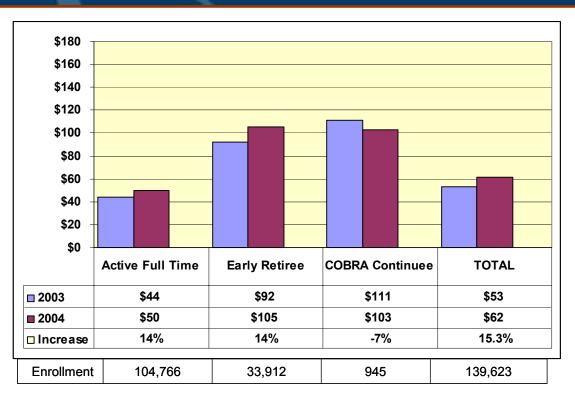
Emergency Room Net Plan Paid PMPM



- In 2004, early retiree claims are approximately 1.7 times that of actives.
- In 2004, COBRA claims are approximately 3.9 times that of actives.
- There was overall movement from the active group to the early retiree group from 2003 to 2004. Thus the mix of lives 2003 to 2004 changed.
- There has been significant utilization of ER services.

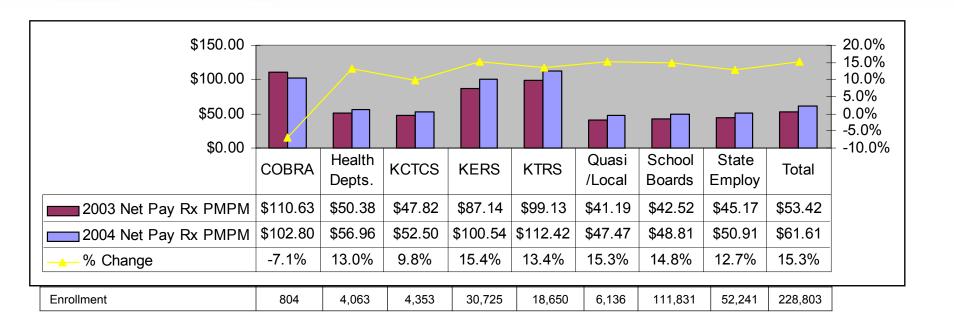


Pharmacy Net Plan Paid PMPM



- In 2004, early retiree claims are approximately 2.1 times that of actives.
- In 2004, COBRA claims are approximately 2.1 times that of actives.
- There was overall movement from the active group to the early retiree group from 2003 to 2004. Thus the mix of lives 2003 to 2004 changed.
- Commonwealth experience trend of 15.3% is below national norm of 18.1%.

Pharmacy Net Claim PMPM Cost Trends – By Group



Above does not include claims coded "missing/other" for group type.



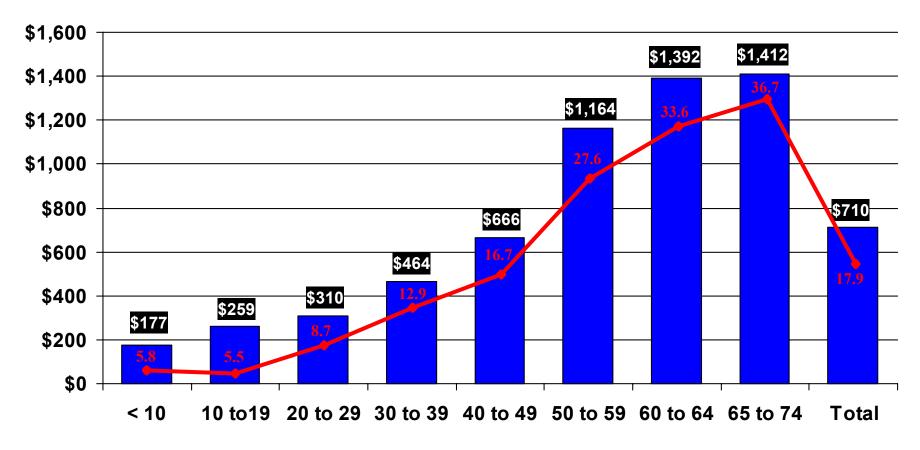
2004 Demographics Observations

- Utilization of scripts and cost per member follows typical demographic patterns, however, actual plan cost and number of scripts is an estimated 23% higher than an industry benchmark average.
- The Commonwealth average age is 36.9 and increasing. It is estimated to be nearing 40 within the next 3 years, moving cost and utilization into a higher age band. The current average age band of 30-39 has a plan cost average of \$464 and an average number of scripts of 12.9. The 40-49 age band has an average plan cost of \$666 and average number of scripts 16.7.
- Older populations tend to use more chronic medications and thus have more prescriptions PMPY, however, this may range up to 26 claims. Commonwealth utilization in the 50-74 years is well beyond industry norms.

2004 Demographics

Age Group	Member	% of Total Members	% of Net Pay Rx
< 10	18,695	8.79%	2.2%
10 to 19	12,524	5.89%	4.8%
20 to 29	26,303	12.37%	5.5%
30 to 39	28,826	13.56%	8.9%
40 to 49	41,291	19.42%	8.2%
50 to 59	57,763	27.17%	45.0%
60 to 64	21,908	10.3%	20.4%
65 to 74	5,298	2.49%	5.0%
Total	212,608	100%	100%

2004 Demographics





Age Band



Key Findings and Considerations



Key Findings/Considerations (Actives & Early Retirees)

- The population is older and more female than the norm. The impact is a 16% above norm cost per employee.
- Employee/dependent ratios are significantly lower than national norms, resulting in an expected 21% below norm per employee cost.
- The combined impact of the above demographic issues result in an expected 8% below norm per employee cost.
- It appears that covered individuals over 65 may not be using Medicare for primary coverage. Investigate the Medicare-eligible group to determine if the Commonwealth coverage is primary when Medicare should be primary and review Medicare COB policies.
- Early retirees account for 21% of membership and:
 - 30% of net medical costs
 - 35% of prescription drug costs
 - 31% of total costs



Key Findings/Considerations (Actives & Early Retirees)

 The average age of those enrolled in the Commonwealth Premier plan is older than the other plans. The need for disease and condition identification and management programs may benefit this population the most. Should consider stronger incentives for use of disease management and heath risk appraisals.

Questions and Answers

